



BUDGET COMMITTEE



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**Senator Judd Gregg's Senate Floor Remarks on His
Housing Bill Amendment That Blocks \$18 Billion Corporate Bailout
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(unofficial transcript)**

I'm shocked to hear an objection from the Senate on this very reasonable request to call up this amendment so that this bill, which is a fairly significant bill, could be voted on by the Senate in parts, because there are some parts of this bill that are not that good. And this amendment addresses one of those parts.

Specifically, this amendment says that the net operating loss carry-back provisions, which cost \$18 billion over the first two years of this bill, would be eliminated. There are already in the law net operating loss provisions. What this bill, however, regrettably does is expand the provisions dramatically and benefit one small segment of our commercial society to the disadvantage of other segments of our commercial society, and to the distinct disadvantage of our children and our children's children, who will have to pay for all of the money that's going to be spent here in the area of a tax deduction.

This \$18 billion will go to benefit the same industry, or part of the industry, which created the problem which this stimulus package is trying to address. It's a lot like that story of the fellow who shot both his parents and then threw himself on the court and asked for mercy because he was an orphan.

What we have here is the housing industry requesting an \$18 billion tax break specifically for them because they created an economic meltdown by speculatively building thousands of houses, thousands more than we needed, and then selling those houses to people through the sub-prime mortgage process which turned out to be a very poor idea. And at the time that these housing companies did this, they made a lot of money.

Now they're losing money. And they're saying with a straight face in this bill that we need an \$18 billion tax break which allows us to go back and eliminate the taxes we paid on the profit we made during the good days of the housing bubble and get a tax rebate to reflect the fact that we're losing money today. How outrageous is that?

In addition, of course, housing contractors who were responsible and who in this period of the bubble did not over-bill or did not overly utilize sub-prime mortgages, but rather built in a reasonable manner and are still doing well and are still making money, are going to find that their competitor down the street who built a lot of inventory that was not necessary and sold it through sub-prime mortgages is going to get a tax benefit representing \$18 billion. So the contractor who actually has been responsible here, who has run their business in probably a conservative way, is going to have to compete with the profit contractor potentially who is losing money who is suddenly going to get a huge windfall because of this bill in the way of a tax rebate. Where's the fairness in that?

In addition, of course, it undermines the whole concept of the free marketplace. I mean, the marketplace says if you take a risk, and you make an investment and you make a lot of money, which is what happened here, and then that risk turns out to turn on you, and you start to lose money, the government shouldn't come in and say, 'oh, that's ok, we're going to insure your losses with a tax break,' which is essentially what's happening here. We're going to insure you to the extent of \$18 billion over the next two years.

That's not a capitalist system. That's a French system. That's sort of modified socialism. It essentially says you can't lose. You can go out and make money, and then if you start to lose money, we're going to give you a tax credit so that the American taxpayers get to pay so that you don't lose money.

And then who pays for all of this? Who pays for this \$18 billion? Well, these folks sitting right down here, the Senate Pages, pay for it. Because we're not going to pay for it this year. We're not offsetting this cost. This goes on the national debt. Interest will accrue on it. And when these young pages graduate from high school and move on to college, and I know they're all going to go to college, then when they move out of college and start to get a job, you know what they're going to have to do? Pay taxes.

You know part of the tax that's they're going to have to pay eight, nine, ten years from now is going to have to go to pay for this tax deduction which we're passing here today to benefit an industry which created a bubble, which created a recession, and we're giving them this type of insurance through this type of tax break.

It's not fair. It's not fair to the next generation to pass this bill on to them, it's not fair to competitors who were conservative and managed their businesses well that they're going to pass this tax break on to people who were not so successful or were successful but today aren't doing well. And it doesn't make any sense. It almost should be unconstitutional -- the idea that we're going to pass a tax that just benefits one segment of the industry.

And, by the way, it's not going to stimulate the economy. Because most of this benefit is going to probably come to fruition after the recession is pretty much over. Probably not before the third or fourth quarter of this year and into next year will these dollars start to flow back into these industries. And so as a practical matter, most economists are saying that to the extent that we have a recession, and I happen to believe we have one, it will be

shallow and short, which means it will probably be over with all the Federal Reserve is doing, I think that it will definitely be over by the end of this year at latest.

So, this makes no sense. At the minimum, the Senate should have the right to vote on this policy. I mean, why not at least have a vote on this policy? It's a huge piece of policy, by the way. It seems to me we should have a right to have a vote on this policy.

So all I've asked for is not that we accept the ideas that I put on the table, which is that that this tax benefit makes no sense economically; that it makes no sense from a standpoint of a capitalist system; it makes no sense from the standpoint of the debt that we pass on to our children; it makes no sense that the people benefiting from the tax benefit were the biggest beneficiaries in the run-up of the speculative market.

I'm not saying that people have to accept those arguments, although I find them logical, reasonable, and find that most people should accept them. Let's have a vote on them. Let's have a vote on whether those arguments make more sense or whether putting this in the tax bill makes more sense. So I asked on a number of occasions for a vote on this item. I regret that there has been an objection to my request for this amendment to be brought up.

I'm tempted to renew that request at this time. But I sense that somebody else might object this time, probably from the audience. Because the last objection came from the staff. But in any event, I can appreciate the fact that there would be an objection. So I won't raise it again. I will simply reflect the fact that I have made this point and hopefully at some point there will be a relenting on the other side of the aisle to having a vote on this item.